

Agenda

ENVIRONMENTAL SERVICES COMMISSION

450 - 110th Avenue NE (City Hall)
 Conference Room 1E-113
 Thursday, November 6, 2014
 6:30PM Regular Meeting

	<u>Ppt.</u>	<u>Time</u>	<u>Page No.</u>	<u>Action</u>
1. Call to Order – Brad Helland, Chair				
2. Oral Communications Note: Three-minute limit per person, maximum of three persons for each side of topic. Additional comments may be heard at Agenda Item 10.				
3. Approval of Agenda *			1	X
4. Approval of Minutes * • October 9, 2014 – Regular Meeting Minutes	No	5 Min	2 - 12	X
5. Follow-Up Questions & Answers # <i>Construction Inflation for 2015/16</i>	No	5 Min		
6. Reports & Summaries • ESC Calendar/Council Calendar *	No	5 Min	13 - 16	
7. New Business • Water Cost of Service Rate Design Recommendations <i>Lucy Liu, Assistant Director–Resource Mgmt. & Customer Svc. Martin Chaw, Fiscal Manager–Resource Mgmt. & Customer Svc.</i> • 2015/16 Utilities Biennial Proposed Budget & Rates Public Hearing <i>Lucy Liu, Assistant Director – Resource Mgmt. & Customer Svc. Martin Chaw, Fiscal Manager–Resource Mgmt. & Customer Svc.</i>	Yes Yes	30 Min 30 Min	17 – 19 20 - 21	X X
8. Commissions Report				
9. Director’s Office Report				
10. Continued Oral Communications				
11. Adjournment				

* Materials included in packet
 # Materials separate from packet

Wheelchair accessible. American Sign Language (ASL) interpretation available upon request by calling (425) 452-6466 (v) at least 48 hours in advance. Assistance for the hearing-impaired: Dial 711.

**CITY OF BELLEVUE
ENVIRONMENTAL SERVICES COMMISSION
MEETING MINUTES**

Thursday
October 9, 2014
6:30 p.m.

Conference Room 1E-112
Bellevue City Hall
Bellevue, Washington

COMMISSIONERS PRESENT: Chair Helland; Vice Chair Swenson; Commissioners Mach and Howe

COMMISSIONERS ABSENT: Pauley, Wang, Morin

OTHERS PRESENT: Andrew Lee, Deputy Director; Lucy Liu, Assistant Director, Resource Mgmt. & Customer Svc.; Martin Chaw, Fiscal Manager, Resource Mgmt. & Customer Svc.; Nav Otal, Director, Utilities; Councilmember Jennifer Robertson

MINUTES TAKER: Laurie Hugdahl

1. CALL TO ORDER:

Upon a quorum being present, the meeting was called to order by Chair Helland at 7:15 p.m.

2. ORAL COMMUNICATIONS

David Plummer, 14414 NE 14th Place, Bellevue, WA, 98007, addressed the ESC regarding concerns about proposed increases to utility rates for water, sewer, and storm water services in 2015, 2016, and possibly in the future. He stated that the major rate-increase driver appears to be the Utilities Department's excessive budgeting for capital improvements and additions as well as projected expenditures that would benefit only a very restricted number of Bellevue property owners rather than all Bellevue rate and tax payers. He distributed a spreadsheet showing examples of these types of projects. He asserted that many of the Utilities Department's operating budget proposals are actually for maintenance and repair of existing infrastructure and have no credible quantitative or qualitative budgetary rationales. This makes it impossible to evaluate the credibility of the Utilities Department's operating budget proposals. Finally, Mr. Plummer expressed frustration that the Utilities Department has never published any information that explains how the City's Water Utility rates are calculated. He urged staff to correct this and provide such information to the ESC and to the public.

3. APPROVAL OF AGENDA

The agenda was amended to continue the Solid Waste Contract Performance Audit & Customer Survey Results and to take up the Water Rate Design prior to the Proposed Utility Budget.

On a motion and a second, the agenda as amended was approved unanimously (4-0).

4. APPROVAL OF MINUTES

September 18, 2014 Regular Meeting Minutes

On a motion and a second, the minutes were approved unanimously (4-0).

5. REPORTS AND SUMMARIES

- Conservation & Outreach Events & Volunteer Opportunity
- ESC Calendar/Council Calendar

6. NEW BUSINESS

- Water Rate Design
Lucy Liu, Assistant Director – Resource Mgmt. & Customer Svc.
Martin Chaw, Fiscal Manager – Resource Mgmt. & Customer Svc.

Lucy Liu introduced Angie Sanchez Virnoche, Principal of FCS Group, and Chris Gonzalez, Project Consultant at FCS Group who gave a recap of the results of the water cost of service study findings . The key cost of service finding is that the current water rate structure is out of alignment with the cost of providing service amongst customer classes. In May the Commission directed staff to redesign water rates for the proposed 2015-16 Utilities Budget to account for the shift in the cost of service between customer classes. FCS presented the rate design recommendations based on the cost of service findings.

Ms. Virnoche stated that she would be presenting the cost of service analysis and discussing the redesign of the water rate structure. The overview of the utility rate study process is a three-step process which includes determining: the revenue requirement based on the cost of doing business, the cost-of-service analysis to determine the cost to serve each customer class, and rate design. She explained that the key cost of service findings is that there was a shift in cost recovery from single-family customers to commercial customers. Essentially, the single-family residential class was overpaying their share of costs, and the commercial class was underpaying their share. Multi-family was about at its cost-of-service. Irrigation needed to go down. The goal of cost-of-service adjustments is to improve equity and cost recovery without adversely impacting customers. The recommended cost-recovery strategy is to move to full cost of service for single-family and multi-family and to keep irrigation at its current level to mitigate increases to the commercial class. This recognizes the overlap in commercial/irrigation customer bases. Ms. Virnoche then reviewed the 2015 cost allocation by class. The proposed overall water rate increase for 2015 is 5.2%. With the cost of service shifts, total service revenues from single family customers in 2015 will increase by

2.5%, and total service revenues from commercial customers will increase by 11.4%.

Chris Gonzalez reviewed the rate structure objectives considered which were to: generate stable revenue, mitigate impacts to customers, fund system reinvestment, provide affordable “core” water service, promote water conservation, and facilitate administrative efficiency. He further explained that one of the key issues with single family rate recommendations is that the sales revenue has been volatile in recent years so there have been significant shortfalls relative to prior projections. The other issue is that the existing usage blocks are inconsistent with current demand patterns. The blocks have been in place since the early 90’s so the consultants wanted to consider updating them to reflect current usage patterns in the single family class. He explained that the rate structure recommendations are increasing the fixed charges to improve revenue stability and reducing the volume charges to ensure revenue neutrality. This should reduce some of the volatility. He then reviewed the proposed single-family residential usage blocks and rate structure noting that there is a significant difference in how the rate structure recovers revenue depending on the block. Under the proposed structure about 49% of accounts would have consumption in Block 1. Under the proposed structure the monthly fixed rate for a ¾-inch meter would increase from \$17.87 to \$20.10 per month. There would then be reductions in the volume rates to make sure that the City is generating the right amount of revenue based on the cost of service. The bill for an individual customer could go up or down depending on usage levels. He stated that 38.6% of the revenue is currently coming from fixed charges; the proposal would increase that to 42.3%. Ideally there would be a bigger shift if Utilities really wanted to increase the revenue stability, but balancing the objectives of affordability and revenue stability is also a priority.

Mr. Gonzalez reported on a survey the consultants did regarding what other utilities do and found the majority of them have block volume charges, especially inverted block volume rates where the more water you use the more you pay. The most common structure was a four-block structure. He summarized that Bellevue’s rate structure is in line with what a number of other utilities are doing.

He then reviewed the bill impacts. For the typical user of 8.5 ccf per month, under the existing structure the bill would be \$54.13. Under the proposed structure it would be \$56.20 so it would be an increase of about \$2.00 per month. As the usage gets lower the impact on a percent basis goes higher because the fixed charge is really the bulk of what you are paying. At the higher end the volume charges become more of what you are paying.

Commissioner Mach noted that under the proposal the monthly bill for the high-end users will be going down. Mr. Gonzalez affirmed this and noted that the proposal would shift cost recovery away from the high users to increase stability. Commissioner Mach noted that if Utilities is encouraging conservation this is not the right message to send. Mr. Gonzalez commented that the conservation message is still important in the proposed structure, but

not as much as the existing structure because of the emphasis on revenue stability.

Chair Helland commented on the tension between rate stability and setting a price point. He asked how many users are using over 60.0 ccf per month. Mr. Gonzalez noted it is less than 1% of users that are over that block. It is a very small portion that will see that type of reduction in their bill. Chair Helland commented it doesn't seem like it would make any difference for rate stability since the number of customers is so small. He suggested leaving the high users at the higher rate and spreading out the increase among the other users. He concurred with Commissioner Mach's concern about not encouraging conservation. Mr. Gonzalez referred to the revenue distribution for fixed charges and noted that it is going from 38% to 42%, but is limited by the objective of trying to keep the bills affordable for the low-end users. This limits how much the volume rates can be decreased. He commented that the structure could have a higher Block 4 rate and decrease the other block rates. Chair Helland said that is what he was suggesting. Mr. Gonzalez noted that there is a complexity to this.

Councilmember Robertson thought it would be useful for the commissioners to have more information about what kinds of households are using what amounts. Director Otal commented that the City doesn't track that data. Deputy Director Lee noted that the average person uses about 80 gallons a day or 3.2 ccf per month.

Chair Helland wondered what the effect would be on the other usage blocks if the last category didn't change at all. He expressed concern about reducing the rate for the top less than 1% while raising the rates for the others. Martin Chaw explained that there are about 40,000 accounts in the City. Shifting the Block 4 cutoff from 100 to 45 would serve to increase the number of customers in that block up to 3.5% of the population of about 1500-1600 accounts. One of the things that needs to be considered is that raising the rate in Block 4 so that the customers in the highest block do not see a drop in their bill would affect about 1300 other customers as a result because of the new block structure.

Commissioner Mach pointed out that high users doesn't necessarily equate to wealthy families because it could be a smaller home with a lot of people living in it. He recommended not having a discount for the high end user, but thought a 0% increase would be fine.

Similarly, Councilmember Robertson expressed concern that the biggest increase looks like it would fall on the households with larger families.

Vice Chair Swenson also expressed concern about the message the City would be sending by reducing the amount the top 1% pays.

Commissioner Mach reiterated that it is not necessarily the rich family that is in the 15 ccf per month group. It could be an intergenerational family or a

family with a lot of children. He expressed concern that the third block was the group that would be getting the biggest increase.

Chair Helland said he would like to see an alternative that keeps fourth block rates adjusted so that the average customers within the block would not see a rate decrease. Lucy Liu stated that under the proposal there are approximately 1400 customers in that block that would experience a higher rate. The fourth block accounts for 3.5% of all accounts.

Director Otal suggested that if the Commission wants to send a strong conservation message to the highest consumers, it could consider a surcharge over a certain volume (such as 100 ccf). This would address the shift to the 1400 in the fourth block. She noted that staff could look into that. This would essentially be creating a fifth block.

Commissioner Mach further suggested that Block 1 have a higher increase to balance out Block 2 and Block 3. He again expressed concern that the proposal is really putting a burden on large families. Commissioner Howe noted that those in the Block 1 tier may be someone on a fixed income or who might not be able to afford much of a rate increase.

Chair Helland cautioned against trying to attribute too many characteristics to the different block structures. He pointed out that 50% of the users are in the first block and 75% of the users are in the first two blocks. Most people are not in the third block. Again, he suggested no decrease in the last block to see how that affects the other blocks and the other criteria they are trying to balance.

Councilmember Robertson commented that majority of households in Bellevue are 1-2 people. The percentage of households with children under the age of 18 is 21%. She stated that the City has lots of data like that if the Commission would like it.

Mr. Gonzales then reviewed the proposed Non-Single Family rate recommendations. The consultants are recommending increasing fixed charges and recommending changing the tier structure to seasonal volume charges for Multi-Family Residential. There is also a recommendation to eliminate the distinction between commercial with/without separate irrigation and update the irrigation volume rate. Sample bill impacts of the proposed 2015 monthly rates were reviewed. The average multi-family monthly bill for a 1.5" meter with 12 living units and monthly consumption of 100ccf would decrease slightly by \$3.21 per month. The average monthly commercial bill for a 4" meter with monthly consumption of 1,000ccf would increase by \$617 per month.

Commissioner Mach asked why the consultants were proposing decreasing the average bill for 1.5" multi-family, 12 living units. Commissioner Mach expressed concerns about decreasing any rates when other rates are increasing. Mr. Gonzalez noted it was just the way this particular sample

worked out. Others in that class would go up. The rates are designed based on the averages within a class.

Martin Chaw reviewed the proposed charges for the different meter sizes in different seasons. Ms. Liu stated that in order to be revenue neutral the volume rates have to come down if the fixed charges go up.

Mr. Gonzalez then summarized their recommendations. He noted that the consultants would go back and take a look at the single family rate structure based on comments from the Commission. For the multifamily rate structure the consultants are recommending replacing the tier structure with the seasonal volume rate structure. For commercial, the recommendation is to combine the two existing classes into a single class. For irrigation, the recommendation would be to revise the fixed and volumetric charges consistent with what is being done in the other classes.

Chair Helland asked how the seasonal rates were designed. Mr. Gonzalez explained that they tried to look at the relative cost of water during the summer versus the winter to come up with a rate multiplier. Summer was roughly 40% more or 1.4 times the winter rate.

Director Otal commented that sometimes the rate change could be because the rates were out of alignment previously. She urged the Commission to keep that in mind. The purpose of the cost study is to bring all the rates into alignment. She noted that the staff also struggled with the highest single family block. She stated staff and the consultants will go back to see about adding in something like a penalty at the very high end. She stressed that this can't be counted on as a regular revenue stream because the hope is that people actually don't use that level.

Commissioner Mach requested samples of other cities' block sizes and rate samples for comparison. Director Otal stated staff would provide that. She added that the consumption levels have decreased very significantly over the past 10 years which is why the proposed shifts are so significant.

Councilmember Robertson commented that Council is always interested in seeing how the rates at different levels compare to other jurisdictions. She pointed out that the commercial looks like it is going up 13% on the example and the highest end user on the single-family side is going down 16%. She asked that a comparison of the proposed rates with other jurisdictions be presented to the ESC.

- Review Proposed Utilities Budget

Nav Otal, Director

Lucy Liu, Assistant Director – Resource Mgmt. & Customer Svc.

Martin Chaw, Fiscal Manager – Resource Mgmt. & Customer Svc.

Director Otal stated that there is nothing new being presented today. It is a recap of the budget the ESC has been reviewing since February. She explained that Utilities is operated similar to a business. Rates are the primary

source of revenue, and Utilities doesn't receive any tax revenue for utility functions. The guiding principles are that this would be a lean budget with minimal new programs. All the cost containments and cuts taken in previous budgets will remain. Local operating cost increases are kept at below inflation. The proposed budget fully funds the wholesale cost increases per Council policy. It includes significant investment in the capital program and six new FTEs to support the capital program. The mobile workforce initiative is the only new initiative. This would improve operational efficiency of field staff.

The biggest budget challenges relate to capital. Most of the infrastructure is well past its midlife. With the aging infrastructure increased M&O costs are inevitable. The future capital program will focus primarily on renewal and replacement of aging infrastructure. She pointed out that the three utilities are at different stages and will require different levels of capital investment. Additional capacity is needed to support economic growth in downtown as well as Wilburton and Bel-Red areas. There is funding for the relocation of utilities for the Eastlink project. She noted that funding for the capital program represents 24% of the utility biennial budget. Operationally, staff will look at efficiencies through Mobile Workforce as well as continued efficiencies and process improvements. There are many state and federal regulations that require funding. The financial challenge is that a big part of the budget is fixed costs (wholesale and taxes/interfunds) that are paid to others. Together these costs represent 50% of the overall budget.

Lucy Liu stated that the Utilities proposed operating budget for the next biennium is \$291.5 million. She reiterated that half of that budget is for bills that are paid to others. She then reviewed a pie chart showing the 2015-2016 Budget by category.

Commissioner Mach asked if the City has compared operating costs with other cities' water utilities to learn any possible efficiencies. Director Otal stated that there are two ways the City can compare with others. One is a rate comparison and the other is industry reviews with the American Public Works Association where the City's practices are compared with the best practices in the industry. Bellevue receives very high ratings with that and was the 13th city in the nation to be accredited. Customer satisfaction is another barometer that is used to see how the City is doing.

Ms. Liu stated that capital investment is about a quarter of the budget. She explained that aging infrastructure is about 67% of that. Capacity to accommodate growth and development is 14%. The rest of the budget (19%) goes to environmental preservation and other capital projects.

Rate increases recommended for the 2015-2016 time period were reviewed. Ms. Liu explained that these rates have not changed since they were presented to the Commission in the summer. What has changed is how the increases are broken down by the portion driven by wholesale costs for water supply and wastewater treatment and the portion that is driven by the local program. The projected total increase needed for all three utilities is 5.7% in 2015 and 4% in

2016. Director Otal added that all of these rates increases are lower than the early forecast and lower than projected two years ago. This is largely a result of cost containment.

Commissioner Mach asked about the wholesale portion. Director Otal replied that the wholesale portion was about the same.

Mr. Chaw stated that the recommended rate adjustment for the Water Utility is 5.2% for each year in 2015 and 2016. The majority of the resources generated by these rates will be used to purchase water from the Cascade Water Alliance and to construct and support the CIP. The proposed rate increases would support a proposed \$103.8 million CIP program for the Water Utility with the bulk of that investment going toward aging infrastructure.

Inflation is a driver in both personnel and operating expenses and water meter costs is also higher due to increased development as well as the requirement for no lead water meter components. Chair Helland asked what inflation rate was used. Director Otal replied that it is 2.4 in 2015 and 2.3 in 2016.

Commissioner Mach asked for the construction inflation rates for 2013 and 2014. Director Otal indicated staff could provide those.

Mr. Chaw continued to explain that the recommended rate adjustment for the Sewer Utility is 6.5% for 2015 and 3.0% for 2016. The majority of the resources generated by these rates would be used to pay for the King County Regional Wastewater Treatment costs in 2015 as well as constructing and supporting the CIP. Those rates will also support about \$60.2 million in the CIP with the bulk of the program funding going toward taking care of aging infrastructure and capacity projects to accommodate growth. With these increases the typical monthly sewer bill would increase by about \$4.49 in 2015 and by \$2.22 in 2016.

For the Stormwater Utility, there is no wholesale component so out of all the utilities the City has the most control over these rates. The recommended rate adjustment for the Stormwater Utility is 4.1% each year. The majority of those resources will be used to support the CIP program. Similar to the other utilities, inflation is a key rate driver. With these rate increases, the total increase to the typical stormwater residential bill would be \$0.87 in 2015 and \$0.89 in 2016.

Mr. Chaw then reviewed an illustration of the cost of service impact to a typical monthly water bill for residential, multi-family, and commercial customers compared to other jurisdictions. Chair Helland commented that the comparison with other cities is misleading because it compares Bellevue's projected rate increases to other cities' existing rates. Director Otal concurred that this is not a true comparison because it shows Bellevue's 2015 rates and other jurisdictions' 2014 rates. Ms. Liu pointed out that Bellevue's rates remain competitive compared to other jurisdictions.

Commissioner Mach asked about the reason for the range in rates between cities. Director Otal commented that the cost to provide a service does not

necessarily equate to higher service levels. She pointed out that Bellevue has no debt which is very rare for utilities; we are saving for renewal and replacement which is also very rare; and we are currently in replacement. She summarized that Bellevue is positioned very well and providing a high level of service as indicated by the high rates of customer satisfaction and competitive rates. She noted that most importantly, Bellevue residents won't experience the kind of rate spikes that other utilities will when those utilities have to replace their infrastructure.

Commissioner Howe commented on Mercer Island's situation as an example. Mercer Island used to have a pay-as-you-go structure like Bellevue, but part of their sewer rate now is structured to pay off debt incurred as the result of a \$24 million sewer replacement project. Mercer Island is also in the process of ramping up their capital program to take care of infrastructure that needs to be replaced. She suggested that could be what happens in other cities.

Chair Helland requested an electronic copy of the presentation.

An emerging issue is the possible investment in AMI (Automated Metering Infrastructure). It is prudent to position now for implementation in 2017-2020. Director Otal explained that this means Utilities would hold off on replacement of meters and implement a rate increase in 2015-2016 to begin saving. Staff is also recommending evaluating AMI technology options in 2016. She commented on the benefit to customers of having more timely data to be aware of leaks.

Chair Helland asked where the City compares to other jurisdictions with implementing this technology. Director Otal replied that Woodinville, Renton, and North Bend are in the middle of their implementation. Sammamish is looking at it and is close to reaching a contract. Surprisingly, smaller jurisdictions have been the first to invest in this technology. She suggested that this might be due to the fact that their overall investment is smaller.

Director Otal reviewed AMI funding options and solicited guidance from the Commission regarding which option was favored. This would be incorporated into the recommendation letter forwarded to Council. Option 1 would fund the cost of replacing the existing metering system with a new AMI system in 2017-2020. Option 2 would fund the replacement of the existing metering system with AMI in 2017-2020 and would save for future replacement of the AMI system in 20 years (i.e., 2037-2040).

Commissioner Mach requested a copy of the presentation regarding AMI from the last meeting. Chair Helland suggested that staff send the presentation to the full Commission.

Commissioner Mach wondered why the City would want to transition to AMI for residential when the data is already available. Director Otal clarified that the only data points the City has are two months apart. She reiterated that the residential customers will be the ones who benefit the most from this. Commissioner Mach asked about impacts to the workforce. Director Otal

replied that staff would manage it through attrition and redeployment and would avoid layoffs as much as possible. She noted that there are currently five positions, and the AMI system would only require two positions that would be doing different things.

Commissioner Howe asked why would staff even present the ESC with Option 1 if the Utility's policy is to save for future replacement of infrastructure. Director Otal explained that it is an affordability issue. The full system replacement hasn't been in the budget before because the Utility has had pay-as-you-go strategy for replacing meters.

Chair Helland noted that the current approach is to pay as you go; he wondered if Utilities would be able to do that with the new system. Director Otal explained that since everything will have been replaced at one time it will also likely fail at one time. The only phasing that would be possible would be to do the Central Business District (CBD) area first for educational purposes and for smoother implementation.

Next steps:

- 11/6 – Public Hearing
- 11/20 – Budget and Rate recommendation to Council
- Early December – Budget Adoption

There was consensus to have the Commission decide on the AMI option recommendation at the next meeting when hopefully more commissioners would be present.

Chair Helland asked what staff is doing to prepare for the public hearing. Director Otal reviewed activities and outreach that staff has been involved in. Staff has sent out notices and reached out to the business community and the Chamber. The public hearing is their invitation to come give feedback.

Commissioner Mach referred to the major rate drivers for Stormwater and asked if the CIP projects are mainly for capacity. Director Otal explained that for Stormwater the projects are mainly for condition assessment, Bel-Red, flood control, and flood hazard reduction. Commissioner Mach asked about the NE 8th Street culvert. Director Otal explained this is a culvert under NE 8th Street at Kelsey Creek that will need to be replaced due to age. It was pointed out that \$29 million of the capital projects is for environmental preservation and about \$15 million is aging-infrastructure-related.

7. COMMISSIONERS REPORT

Commissioner Howe thanked the City for finally opening up Coal Creek Parkway.

8. DIRECTOR'S OFFICE REPORT

None

9. CONTINUED ORAL COMMUNICATIONS

None

10. ADJOURNMENT

Motion made by Commissioner Howe, seconded by Commissioner Swenson, to adjourn the meeting at 9:24 p.m. Motion passed unanimously (4-0).

The meeting was adjourned at 9:24 p.m.

2014/2015 Environmental Services Commission

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November

20 Utilities Budget Rate & Recommendation (Lucy Liu/Martin Chaw)

April 15						
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December

18 RECESS

January

15 Public Mtg NPDES 2015 Stormwater Mgmt. Program (Phyllis Varner)

Tentative: Comprehensive Plan Update Status Briefing (Pam Maloney)

May 15						
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February

19 NPDES 2015 Stormwater Mgmt. Program Recommendation (Phyllis Varner)
Water System Plan: Policy Review - (Pam Maloney/Doug Lane)

June 15						
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March

19 Water System Plan: Results of System Analysis (Pam Maloney/Doug Lane)

July 15						
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April

16 Water System Plan: Findings & Recommendations (Pam Maloney/Doug Lane)

August 15						
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2015 Pending – ESC:

Status Reports on the following issue will be made when there are significant development:

- Shoreline Mgmt. Plan (Paul)
- Stormwater 101 (Paul)
- Foundations of Bellevue Utilities Rate & Tax Relief Programs (Susan/Patricia)
- Bellevue Diversity Initiative Presentation – (Camron Parker – Parks)

Katie/2014 Calendars/Pending ESC Calendar

Updated 10/30/14

2014/2015 Council Calendar

October 14						
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November

- 3** Motion to award construction of PRV Improvements 2014 - Paul/Regan
- 10** Utilities Proposed 2015/16 Budget & Rates (Nav/Lucy)
- 17** Motion to award construction of Sewer Pump Station General Recept- Phase 2 - Paul/Regan
Motion to reject construction of Factoria Reservoir Coating Repair & Overflow modifications (Paul/Regan)
Resolution authorizing execution of PSA w/Stantec for AC Wtr Main Repl. 2016 - Paul/Regan

December

- 1** Motion to award construction of San Swr Repairs 2014 (Paul/Regan)
Res authorizing execution of PSA for W Trib Kelsey Crk DMP 165 Wetland Rest. Plan to Parametrix (Paul/Regan)
Resolution Authorizing Execution of PSA for Lk Hgts Waste Wtr Rehab Pre-design Permitting to HDR (Paul/Regan)
- 8** Motion to award San Swr replacement downtown park construction (Paul/Regan)

January

- 5** Motion to award construction of Bellefield PS Capacity Improvement (Paul/Regan)
Motion to award construction of East CBD Trunkline Improvement Project - Paul/Regan
Motion to award construction of NE 40th St. Reservoir Structural Roof Repair (Paul/Regan)
Motion to award construction of Storm Water Dig & Repair (Paul/Regan)
Resolution authorizing execution of Professional Services Agreement for the

January

- 5** Kelsey Creek Culvert Project (Paul/Regan)

February

- 2** Motion to award construction of Stormwater Trenchless Repair (Paul/Regan)
- 16** Motion to award construction of PRV Rehabilitation and Replacement (Paul/Regan)

April

- 6** Motion to award construction of Factoria Reservoir Coating Repair (Paul/Regan)

April 15						
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31						

June 15						
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July 15						
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August 15						
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September 15						
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27	28	29	30			

Key:

Agenda item description – **Consent:** Waste Reduction & Recycling Grant

Assistant Director's Name or designated staff that will

be available to attend Mayor's meeting

Staff Name – material content expert

2015 Pending Council

1st Qtr – NPDES LID Principles Opportunity Analysis & Work Plan – Catherine Drews/Paul Bucich/Phyllis Varner

March ?

NPDES Municipal Stormwater Permit Briefing – Phyllis Varner

NPDES Municipal Stormwater Permit Annual Report Resolution – Phyllis Varner

Katie/2014 Calendars/Pending Council Calendar

Updated 10/14



MEMORANDUM

Action
 Discussion
 Information

DATE: October 29, 2014
TO: Environmental Services Commission
FROM: Lucy Liu, Assistant Director – Resource Management and Customer Service
Martin Chaw, Fiscal Manager – Resource Management and Customer Service
SUBJECT: Presentation of Water Cost-of-Service Rate Design Recommendations

Action Required at this Time

Review, discuss and approve alternative water rates for alignment with cost-of-service study findings, to encourage conservation, and enhance revenue stability.

Background

The City has a policy of recovering utility rates equitably across customer classes based on how each customer class contributes to the overall cost of providing utility service. It is prudent to conduct a cost-of-service rate study periodically to determine if the utility rate structure reflects customer demographics that can change over time.

The City hired FCS Group, a utility rate consultant, to conduct a water cost-of-service rate study. As you recall, on May 15, FCS Group reviewed the results of the cost of service analysis with the Commission. The study findings indicate the current water rate structure is out of alignment with the cost to provide service amongst customer classes. The Commission directed staff to redesign water rates for the 2015-2016 proposed budget to account for shifts in cost between customer classes consistent with the cost allocation methodology recommended by FCS Group.

On October 9, the ESC received a presentation on the results of the water utility cost-of-service rates study. During this presentation, the ESC evaluated the impact that the proposed rates would have to single-family residential billings and directed staff to re-evaluate the proposed single-family residential rates and return with an alternative rate structure to avoid decreases in billings for high water users.

Staff has completed this evaluation and is proposing the following alternative rates, highlighted by the shaded column:

Single-Family Residential Rates

**Table 1: Water Cost-of-Service Rates
Proposed Single-Family Residential (SFR) Bi-Monthly Rates**

Fixed Meter Bi-Monthly Charges			Volumetric Charges			
Meter Size	2014 Approved	2015 Proposed [a]	Block	2014 Approved	2015 Proposed [a]	2015 Alternative [b]
5/8 & 3/4	\$35.74	\$40.19	1 (0-20ccf)	\$3.57		
1.0	63.26	71.13	2 (21-30ccf)	4.93		
1.5	107.02	120.34	3 (31-100ccf)	6.31		
2.0	164.48	184.94	4 (100+ccf)	9.40		
3.0	359.34	404.04	1 (0-11ccf)		\$3.16	\$3.16
4.0	529.41	595.27	2 (12-17ccf)		4.21	4.00
6.0	990.95	1,114.24	3 (18-45ccf)		5.26	5.26
8.0	1,541.61	1,733.40	4 (45+ccf)		6.31	7.50
10.0	2,165.21	2,434.58				

**Table 2: SFR Water Cost-of-Service Rates
Revenue Stability (Percentage of Revenues by Charge)**

	2014 Approved	2015 Proposed [a]	2015 Alternative [b]
Fixed Charges	38.6%	42.3%	42.3%
Volumetric Charges			
Block 1 (0-11ccf)	31.7%	27.3%	27.3%
Block 2 (12-17ccf)	8.3%	9.6%	9.4%
Block 3 (18-45ccf)	14.0%	14.4%	14.4%
Block 4 (+45ccf)	7.4%	6.4%	6.9%
Total	100.0%	100.0%	100.0%
Fixed through Block 1	70.3%	69.6%	69.6%
Fixed through Block 2	78.6%	79.2%	78.7%

**Table 3: Water Cost-of-Service Rates
Typical SFR Bi-Monthly Billings**

Usage	2014 Approved	2015 Proposed [a]	2015 Alternative [b]
6ccf (about 2 persons)	\$64.17	\$66.41	\$66.41
11ccf (about 4 persons)	\$84.21	\$84.15	\$84.15
17ccf (about 6 persons)	\$108.26	\$112.51	\$111.09

[a] Proposed cost-of-service adjusted rates on 10/9/2014; includes proposed 5.2% rate increase for 2015.

[b] Staff recommended revised cost-of-service adjusted rates; includes proposed 5.2% rate increase for 2015.

Approval of the recommended alternative single-family volumetric rates would align the water rate structure with the cost to provide service to this customer class, provide affordable core water service, encourage conservation through pricing for high volume water users, and enhance system-wide revenue stability.

Commercial/Multifamily/Irrigation Rates

Proposed rates for non-single family customer classes are unchanged and are included in the ESC budget notebook under section 8.

Implications for Utility Rate Relief Customers

City policy provides financial relief for income qualified ratepayers. To qualify for rate relief, a person or member of the household must meet one of the following criteria:

1. Be 62 years of age or older at all times during any period for which a billing reduction or reimbursement is requested;
2. Be permanently disabled and receiving funds from a disability program such as Supplemental Security Income, Social Security Disability Insurance or Disabled Veterans payments;
3. Be receiving home kidney dialysis treatments, as confirmed by Northwest Kidney Centers.

Qualifying individuals or households receive either a 40% discount or a 75% discount off of the fixed meter charge and their volumetric charge based on average winter consumption. Under the proposed alternative rates presented above, rate relief customers will continue to receive financial relief based on the new average winter consumption level (represented by the first block). The majority of utility rate relief recipients are consuming water at or below this level.

Staff will review and discuss the above in greater detail at the November 6 ESC meeting.

Next Steps

The Commission's recommendation on the water rate design will be incorporated into the ESC's 2015-2016 budget and rates recommendation to City Council.



MEMORANDUM

X Action
X Information
X Discussion

DATE: October 29, 2014
TO: Environmental Services Commission
FROM: Nav Otal, Utilities Director
Lucy Liu, Utilities Assistant Director – Resource Management and Customer Service
Martin Chaw, Fiscal Manager – Resource Management and Customer Service
SUBJECT: 2015-2016 Utilities Biennial Proposed Budget and Rates – Public Hearing

Action Required at this Time

Public Hearing on the 2015-2016 Utilities Department proposed budget and rates.

Background

On November 6, the ESC will accept public testimony on the proposed budget and rates prior to forwarding a formal budget and rates recommendation for City Council consideration on November 10 or later (see budget development calendar on page 2 of this memorandum).

As a recap, the proposed 2015-2016 Utilities Department budget and rates were reviewed with the ESC as follows:

- March 20: 2015-2016 Budget One Process Overview
- April 3: 2015-2020 Early Outlook Forecast
- April 17: Preliminary CIP request
- May 15: Utility Financial Policies, Utilities Budget Proposals
- May 29: Utility Budget Proposals. At the conclusion of this meeting, the ESC unanimously endorsed Utilities 2015-2016 budget proposals and the provided a recommendation to this effect to the Healthy and Sustainable Environment Outcome Results Team.
- July 17: Preliminary Financial Forecast; Wholesale Policy Review. During this meeting, the Commission also expressed interest in exploring advanced metering infrastructure (AMI) technology for water meter replacements.
- September 18: Advanced Metering Infrastructure. During this meeting, the Commission reviewed and endorsed a recommendation to migrate from current manual read water metering technology to AMI technology in the next five years. Note that AMI was not formally included in the Department's proposed 2015-2016 budget, but rather is addressed as an Emerging Issue.
- October 9: Proposed 2015-2016 budget and rates were presented to the ESC.

Next Steps

Following are the remaining steps in the ESC's review of the proposed Utilities 2015-2016 budget and rates:

Date	Topic
<i>November 6</i>	<ul style="list-style-type: none">• ESC holds Public Hearing on Utilities proposed budget and rates• ESC develops budget and rates recommendation to City Council
<i>November 10</i>	<ul style="list-style-type: none">• City Council review of Utilities proposed budget/rates• Presentation of ESC budget and rates recommendation to City Council
<i>November 20</i>	<ul style="list-style-type: none">• Tentative ESC meeting (if needed). <i>ESC budget and rates recommendation would ideally occur on November 10 to coincide with the City Council's budget review.</i>
<i>December 1</i>	<ul style="list-style-type: none">• Anticipated 2015-2016 Budget Adoption by City Council